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DIVISION OF
OIL, GAS & MINING

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MINERALS PROGRAM
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CERTIFIED MAIL
(Return Receipt)

June 8, 1990

Mr. Grant Pinkerton, Manager
North Lily Mining Company
Box 421
Eureka, Utah 84628

RE: Notification for Need to Obtain a Ground
Water Discharge Permit

Dear Mr. Pinkerton:

This letter is in regards to your facilities and the State of Utah's ground water regulations that went into effect in August of 1989. Existing facilities, such as North Lily Mining Company were required to file a ground water notification form. Existing facilities would later be required to obtain a ground water permit, if conditions justified. We have reviewed your notification form and according to our records you have two (2) construction permits as follows, for cyanide heap leach pads near Eureka.

Issued

April 13, 1988
October 27, 1989

Closing

January 1, 1995
None

The permit issued on October 27, 1989 is for a 600 x 300 foot extension on the south side of the existing pad, and was issued prior to the February 10, 1990 regulatory cutoff date for facilities needing to obtain a ground water discharge permit before commencing construction. According to a recent telephone conversation with Mack Croft of our office, you believed North Lily would be through leaching in about a year, provided new ore was not located to load on this pad. Assuming this might be the case, it may be unjustified to process a ground water permit for this short period of time. However, finding new ore would extend the useful life of the existing facilities or may even require you to build a new heap leach pad.

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Under the above circumstances, it is decided that in accordance with UAC R448-6-6.1B you are hereby notified as an existing facility to submit a complete application for a ground water discharge permit prior to July 1, 1991. Taking this approach will allow you time to assess the life of the facility. In the event it is determined the facility life will not extend beyond July 1, 1991, a permit will not be needed. Authorization for operation beyond this date would be established under conditions of the ground water discharge permit. Please notify us by January 30, 1991 of your intentions to either shut down or submit an application. Therefore, it is incumbent that you initiate the appropriate investigations and plan accordingly. Operating beyond July 1, 1991 having not satisfied the above conditions could result in appropriate compliance actions.

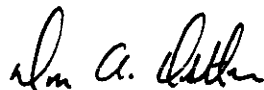
On the assumption that you may be ceasing operation in about a year, we have reviewed the neutralization and closure specifications submitted with the operating plan for your heap leaches and have the following comments:

1. What do you plan to wash the spent heap with? Do you plan to add any cyanide neutralizing chemicals?
2. Have you made any column tests in the lab, with your various spent ores to test your planned neutralizing methods? Column tests were made by Anaconda to determine specific yield, permeability, etc. in a report dated 1982, but we do not find test results using neutralizing solutions. We feel that some column tests using various neutralizing solutions might be useful, before shut down is started.

If you have any questions please call Mack Croft or Dave Rupp at 538-6146.

Sincerely,

Utah Water Pollution Control Committee



Don A. Ostler, P.E.
Executive Secretary

cc: Roger Foisy, District Engineer
Wayne Hedberg, DOGM

MGC:kc
Q:NoLiLy.LTR